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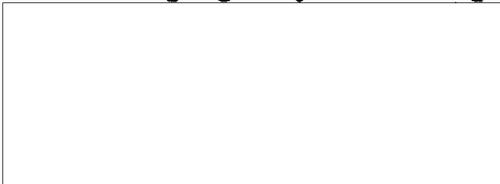
**GENERAL****1. Molotov favors talk with Mendes-France on European problems:**

At a luncheon on 18 July, Soviet ambassador to France Vinogradov told the French ambassador to Moscow that Molotov would be glad "to have a good talk" with Mendes-France in Geneva concerning European affairs. Molotov had indicated to Mendes-France previously that when the Indochina settlement was completed, it might be possible to exploit the atmosphere that would then exist for "bringing peace in Europe."

Mendes-France promised Under Secretary Smith that the United States would be kept informed on any discussions. He suggested that there might be a meeting between Foreign Secretary Eden, Under Secretary Smith, and himself in connection with any conversation with Molotov so as to make it clear that he was not dealing bilaterally with the Soviet foreign minister on Europe.

Comment: A new Soviet move to deter French ratification of EDC, now proposed for August, is very likely and probably will be in the form of renewed efforts to win support for the Kremlin's European security scheme.

An Izvestia dispatch of 18 July stated that millions of people in the West were becoming aware of the fact that if an Indochina settlement becomes real, "then just as real can be the prospects for a solution of European problems," including German unification and the ensuring of collective security in Europe.

**2. Peiping may be moving to gain nonaggression pact with Indonesia:**

The American embassy in Djakarta suggests that Peiping's reported agreement to discard the principle of double nationality in order to settle the status of Overseas Chinese in Indonesia may pave the way for a nonaggression pact between the two governments.

Comment: The Indonesian minister of justice announced in a speech on 18 July that Peiping had agreed to the principle that Overseas Chinese could discard Chinese citizenship and become citizens of the country in which they resided.

Negotiations on the status of the Chinese in Indonesia are scheduled to open in Peiping during August. The reported Chinese concession would mark a sharp departure from the traditional Chinese view in an attempt to win the confidence of Southeast Asian governments.

Indonesian officials have proposed an all-Asian nonaggression pact--which would include Communist China--as a counter to the Western proposal for a Southeast Asian defense organization.

3.

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**SOVIET UNION**

**4. Route of Soviet ships in Far Eastern waters reduces likelihood of escort:**



**Comment:** Although it is still possible that the ships may rendezvous northeast of the Philippines with naval escort craft, the circuitous route used by at least three of them should greatly reduce the need for such protection.

Moscow's third note to the United States on the seizure of the Tuapse, which was delivered on 19 July, was moderate in tone and suggests that the USSR is not planning any drastic steps in this matter pending further Chinese Nationalist action.

Information from Taipei  indicated the Nationalists did not plan to release the Tuapse before 24 July, and reports of continuing Nationalist efforts to discover a pretext for confiscating the Soviet vessel suggest that release of the ship may be delayed beyond that date.

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**FAR EAST**

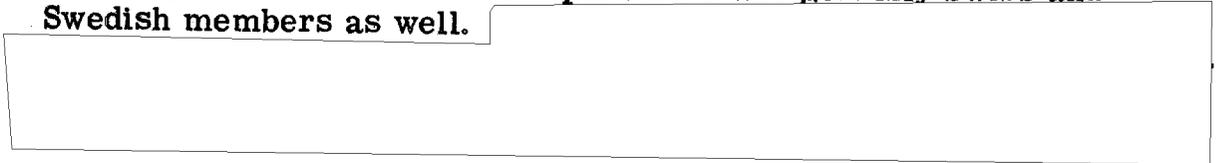
**5. Rhee plans to arrest Communist truce supervisors in South Korea:**



President Rhee instructed Army Chief of Staff General Chong Il-kwon about two weeks ago to prepare for the arrest of the Czech and Polish members of the neutral nations truce inspection teams in South Korea, Eighth Army commander General Taylor informed embassy officials on 17 July.

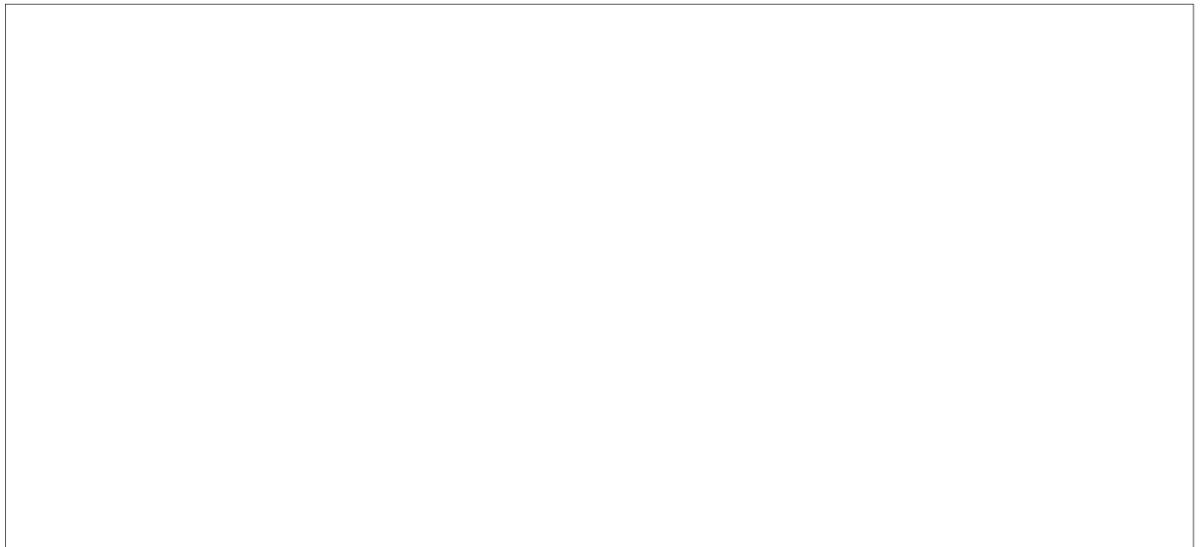
Chong, who said confidentially Rhee would not do anything imprudent prior to his visit to Washington next week, is deeply concerned about possible action after Rhee's return.

Comment: Rhee has said previously he would eject Communist truce supervisors and possibly Swiss and Swedish members as well.



**SOUTHEAST ASIA**

**6.**

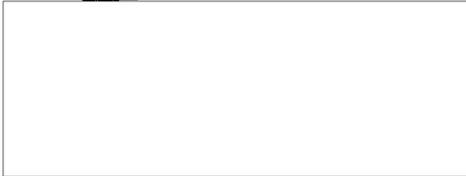


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**SOUTH ASIA**

**7. Ambassador Allen sees Indian refusal to join Southeast Asian security pact:**

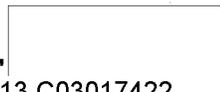


After a discussion with Vice President Radhakrishnan on 17 July, Ambassador Allen reported his view that India will not join any Southeast Asian security pact, either now or

in the foreseeable future, if the pact is directed against Communist China.

Comment: The course of Indian foreign policy during the Indochina crisis supports Allen's conclusion and contradicts the British view that India can eventually be persuaded to join the West in collective security against Communist aggression.

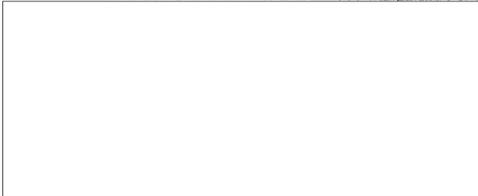
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Nehru is also unlikely to press at this time for a nonaggression pact between Peiping and the Southeast Asian powers. He probably hopes that Geneva will result in a balance of forces which would relieve India, at least temporarily, from serious pressure to align itself more closely with either side.

#### NEAR EAST - AFRICA

#### 8. Turkish Middle East policies arouse Saudi antagonism:



The Turkish minister in Jidda has told Ambassador Wadsworth that he was deeply incensed by Saudi Arabian prince Faisal's sharp criticism of Turkish foreign policy vis-a-vis the Arabs and the United States, and by Faisal's charge that Turkey is being "colonized" by the United States to fight the Soviet Union. Faisal had been angered by Turkey's refusal to participate in a proposed Moslem conference.



Comment: Turkey is showing increased ambitions to be recognized as the champion of the Middle East. It is apparently ready to undertake a campaign to draw the countries in the area into the Turkish-Pakistani defense pact and to isolate those governments unwilling to be identified with the pact. The chiefs of the Turkish Middle East missions convening in Ankara have already advocated a plan to isolate Egypt and end the effectiveness of the Arab League.

Ankara is probably over-optimistic in assessing its ability to draw the Arab states away from Egypt, although these countries' anticipation of American military and economic aid may be a determining factor.

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9. Nasr prepared to break off Suez talks over duration of agreement:

[REDACTED] Egypt's Prime Minister Nasr told Ambassador Caffery on 17 July that he was prepared to break off the Suez talks with Britain over the issue of the duration of the agreement.

Nasr reiterated that he was unable to accept an agreement of more than seven years' duration, as previously agreed. He suggested, however, the possibility of some compromise on the time allowed for the withdrawal of British troops, if Britain will accept a seven-year agreement.

Comment: In three meetings, no progress has been made on the three major issues: the duration of the agreement, the period for evacuation of British troops, and the availability of the base in the event of an attack on Iran. The British negotiators are currently awaiting further instructions from London.

Nasr has maintained that the "Free Officers," his principal supporters in the army, will not accept more than seven years' duration and that he is committed to them on this issue. [REDACTED]

LATE ITEM

10. Geneva conference developments:

[REDACTED] As of 2:00 a. m. (Geneva time) on 21 July, cease-fire agreements for Vietnam and Laos had been signed. An agreement on Cambodia is expected to be signed later in the day, and a final meeting of the nine participants is scheduled for 3:00 p. m. in Geneva, according to press reports.

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